



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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September 26, 2019

Mark Craft, Chairperson
Village of Hadar
P.O. Box 185
Hadar, NE 68738

Dear Chairperson Craft:

As you know, the Nebraska Auditor of Public Accounts (APA) has approved the fiscal year 2018 audit waiver for the Village of Hadar (Village). However, while performing our review to determine whether to approve the audit waiver, the APA noted certain internal control or compliance matters, or other operational issues, within the Village. The following information is intended to improve internal controls or result in other operational efficiencies.

Comments and Recommendations

1. Lack of Claim Purpose

During our comparison of the Village's bank account details to claims approved by the Board, the APA noted that a majority of the claims listed in the Board's official proceedings lacked descriptions of their respective purposes.

The following is an example of the approved claims listing provided by the Village for October 9, 2017:

Name	Description	Amount
Cable One		\$ 63.44
Century Link	Community Building	\$ 78.88
Century Link	Fire Hall	\$ 60.12
EMC Insurance		\$ 1,127.33
EVB-Sewer Fund	Loan Repayment	\$ 450.00
Stephen Falk		\$ 1,500.00
Meisinger Oil		\$ 112.97
Menards		\$ 67.13
Midwest Bank	Transfer to Midwest Flex CD - loan payback from September/October 2017 Highway Allocation	\$ 6,717.70
One Office Solution		\$ 129.81
Pierce County Leader		\$ 252.19
Scott Marks Electric		\$ 52.95
Sherwin Williams		\$ 213.11
ERPPD	Sewer Billing	\$ 387.00
Midwest Bank	Transfer to set up a Flex CD Account	\$ 20,000.00
Midwest Labs		\$ 3.48

Name	Description	Amount
One Call Concepts		\$ 16.23
Richard Lutz	Payroll	\$ 115.44
Val Riedel	Payroll	\$ 110.82
Gene Schwede	Payroll	\$ 297.91
Brad Spreeman	Payroll	\$ 78.50
Ami Stubben-Goetsch	Payroll	\$ 602.98
Sidney Sudbeck	Payroll	\$ 118.38
Total		\$ 32,556.37

Neb. Rev. Stat. § 19-1102 (Cum. Supp. 2018) requires publication of the Board’s official proceedings, which must include, among other things, the purpose of each claim allowed, as follows:

It shall be the duty of each village or city clerk in every village or city having a population of not more than one hundred thousand inhabitants as determined by the most recent federal decennial census or the most recent revised certified count by the United States Bureau of the Census to prepare and publish the official proceedings of the village or city board, council, or commission within thirty days after any meeting of the board, council, or commission. The publication shall be in a newspaper in or of general circulation in the village or city, shall set forth a statement of the proceedings of the meeting, and shall also include the amount of each claim allowed, the purpose of the claim, and the name of the claimant, except that the aggregate amount of all payroll claims may be included as one item. Between July 15 and August 15 of each year, the employee job titles and the current annual, monthly, or hourly salaries corresponding to such job titles shall be published. Each job title published shall be descriptive and indicative of the duties and functions of the position. The charge for the publication shall not exceed the rates provided for in section 23-122.

(Emphasis added.) Good internal control and sound accounting practices require procedures to ensure that the Board’s official proceedings describe the purpose of each claim allowed.

Without such procedures, there is an increased risk of not only failure to comply with statutory publication requirements but also a lack of transparency regarding the nature of public expenditures.

We recommend the Board implement procedures to ensure the purpose of each claim allowed is included in the Board’s official proceedings and published in accordance with State statute.

Village Response: The village clerk uses the memorized list when paying bills in QuickBooks as most of our bills are repetitive utility bills. Since the account or class normally gave a description for items that were basically considered utilities we thought we didn’t always have to write in each month that it is a phone bill, recycle bill, etc. since it was classed that way. A description is normally made when it is not a normal reoccurring bill. Our bill paying process occurs once a month. Once the bills have been approved at the board meeting the village clerk prints checks and on each check stub in the memo line it should state what the check was for or have an invoice number and then it is stapled to the original invoice for each check. Payroll checks also have a paystub that is kept on file showing the # of hours, department worked, pay rate and pay period. The village board members receive a copy of reconciliation reports for all seven bank accounts and are able to review each check that was written. A copy of the reconciliation report is also present at each board meeting for community members to review.

2. Payment of Claims Prior to Board Approval

During our comparison of the Village’s bank account details to claims approved by the Board, the APA noted that multiple Village checks, totaling \$139, were issued before the underlying claims were approved by the Board.

The table below provides a summary of those premature payments:

Claim Date	Name	Amount	Check #	Cleared Date	Days Paid Before Approval
10/9/2017	Century Link	\$ 78.88	EFT	9/26/2017	13
10/9/2017	Century Link	\$ 60.12	EFT	10/4/2017	5
Total		\$ 139.00			

Neb. Rev. Stat. § 17-614(1) (Cum. Supp. 2018) sets out the proper method for the appropriation or payment of money by the Village, as follows:

All ordinances and resolutions or orders for the appropriation or payment of money shall require for their passage or adoption the concurrence of a majority of all members elected to the city council in a city of the second class or village board of trustees

(Emphasis added.) Good internal control requires procedures to ensure that all claims are approved by the Board prior to payment and are adequately documented in the meeting minutes of the month in which they are approved.

Without such procedures, there is an increased risk for the loss or misuse of Village funds.

We recommend the Board implement procedures to ensure all claims are approved by the Board prior to payment and are adequately documented in the meeting minutes of the month in which they are approved.

Village Response: On October 10, 2016 the council approved paying Centurylink and Cableone (now Sparklight) electronically prior to the council meetings as the due date was always a few days prior to the council meeting and bills were being paid late and charged late fees.

3. Payment of Unapproved Claims

During our comparison of the Village's bank account details to claims approved by the Board, the APA identified one check, totaling \$190, which was paid but not included on the claims listing to be approved by the Board.

A summary of that unapproved disbursement is provided in the table below:

Check Date	Name/Vendor	Amount	Check #	Cleared Date
10/18/2017	John's Disposal, Inc.	\$ 190.00	9548	10/20/2017

Good internal control requires procedures to ensure that all claims are approved by the Board prior to payment and are adequately documented in the meeting minutes of the month in which they are approved.

Without such procedures, there is an increased risk for the loss or misuse of Village funds.

We recommend the Board implement procedures to ensure all claims are approved by the Board prior to payment and are adequately documented in the meeting minutes of the month in which they are approved.

Village Response: Although the council approves the bills to be paid at the board meeting there are times when the meeting falls on a Monday earlier in the month and not all bills arrive via mail by then. The council approves at the meeting then noting that the bill will be arriving such as John's Disposal, ERPPD, etc. and gives the clerk approval to pay as well as enforces the double signature on these payments so that another board member sees and approves the payment. Since the council only approves bills to be paid once a month it makes it difficult to have all bills received by the date of the board meeting. The village clerk is very transparent in making a list of payables/receivables for each board meeting and then adds this bill that may have not been received at the time of the board meeting. A list of the payables and receivables is posted in the Pierce County Leader for transparency as well.

4. Late Filing

The Village's audit waiver request was filed late, on May 21, 2019, almost eight months after the fiscal year end and nearly two months after an audit or approved audit waiver must be filed with the APA, as required by State statute.

Neb. Rev. Stat. § 19-2903 (Reissue 2012) states, in relevant part, the following:

The municipal authorities of each municipality shall cause an audit of the municipality's accounts to be made by a recognized independent and qualified accountant as expeditiously as possible following the close of the fiscal year for such municipality and to cover all financial transactions and affairs of the municipality for such preceding fiscal year Such audit shall be completed and the annual audit report made by such accountant shall be submitted within six months after the close of the fiscal year in any event. . . . A village may request a waiver of the audit requirement subject to the requirements of subdivision (4) of section 84-304.

Furthermore, Neb. Rev. Stat. § 19-2905 (Reissue 2012) provides, in relevant part, the following:

At least three copies of the annual audit report shall be properly signed and attested by the accountant; two copies shall be filed with the clerk of the municipality involved and one copy shall be filed with the Auditor of Public Accounts.

(Emphasis added.) Good internal control requires procedures to ensure forms required to be filed with the APA are submitted within the time constraints set out by State statute.

Without such procedures, there is an increased risk of not only noncompliance with State statute but also a lack of transparency. Furthermore, such deficiencies may result in the Village's audit waiver request being denied.

We recommend the Village implement procedures to ensure forms required to be filed with the APA are submitted within the time constraints set out by State statute.

Village Response: The village clerk and Liz Krohn of Schumacher, Smejkal, Brockhaus and Herley, P.C had frequent communication with the NE State Auditor's Office. The NE State Auditor's Office was aware of our circumstances in having to find a new accounting firm after our current independent accountant was released. This was time consuming to say the least and then we were placed in a situation where errors were found on our 2016 audit waiver that the previous accountant completed and we had to go back and provide several years of documentation.

5. Village Funds

On Exhibit A of the Village's audit waiver request form, the APA noted that the Village reported balances and activity only under the General Fund column. However, as certain receipts, such as highway allocation monies, are restricted for street or road purposes, the Village must report these monies under a separate restricted fund, such as the Street Fund, unless these monies are reimbursing certain street or road expenditures out of the General Fund.

Good internal control requires procedures to ensure that all Village funds, along with their respective activities, are reported correctly on the Village's audit waiver request form.

Without such procedures, there is an increased risk of not only loss, misuse, or theft of Village monies but also lack of transparency regarding the financial activity and position of the Village.

We recommend the Board implement procedures to ensure all Village funds, along with their respective activities, are reported correctly on the Village's audit waiver request form.

Village Response: We currently have separate checking accounts for our General Fund, Sewer and Keno checking accounts. Moving forward we plan to open a separate checking account for our Streets Department. The Village will contact the State of NE to have direct deposits moved into this account for our state highway allocation funding.

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The preliminary planning work that resulted in this letter was designed primarily on a test basis and, therefore, may not bring to light all existing weaknesses in the Village's policies or procedures. Nevertheless, our objective is to use the knowledge gained during the performance of that preliminary planning work to make comments and suggestions that we hope will prove useful to the Village.

Draft copies of this letter were furnished to the Village to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. Any formal responses received have been incorporated into this letter. Such responses have been objectively evaluated and recognized, as appropriate, in the letter. Any response indicating that corrective action has been taken was not verified at this time.

This communication is intended solely for the information and use of the Village and its management. It is not intended to be, and should not be, used by anyone other than those specified parties. However, this letter is a matter of public record, and its distribution is not limited.

If you have any questions regarding the above information, please contact our office.

Sincerely,



Mary Avery
Special Audits and Finance Manager
Phone (402) 471-3686
mary.avery@nebraska.gov

cc: Ami Stubben-Goetsch, Village Clerk